MINUTES OF SPECIAL MEETING
2005 A SINGLE FAMILY MORTGAGE BONDS
March 28, 2005, 2:00 P.M.

Notice having been given, the Montana Board of Housing held a special meeting on the issuance of its Single Family Program Bond Series 2005 A. The meeting took place via teleconference to discuss the market, pricing of the bonds, and potential sale on March 29, 2005. Present were:

Board members: Bob Thomas, Susan Moyer, Judy Glendenning, J.P. Crowley, Jeff Rupp, and Betsy Scanlin
MBOH Staff: Bruce Brensdal, Scott Hoversland, Bob Morgan, Chuck Nemec, Jeannene Maas, and Diana Hall.
UBS Financial: Peter Nolden, Mina Choo, Lorraine Palacios, and Steve Pillar

Bob Thomas convened the meeting after a roll call was taken and a quorum was established.

Peter Nolden updated the Board on the market conditions. He said the Prelimary Official Statement was distributed to investors on March 22. Standard & Poors confirmed a rating of AA+ and Moody's rating of AA1, which is an upgrade. A retail order period for investors in the state of Montana took place this morning. They offered most of the serial bonds and the long 30+-year bond to see if there was any interest. Since the previous meeting, the interest rate market has been volatile and moving in the direction of higher interest rates. On March 14, the 10-year Treasury bond was 4.51% and during the last minute or so, it was 4.65%. The 10-year rates are the closest indication of where the rates are moving. The 30-year Treasury bond was 4.75% on March 14th, and the 30-year Treasury now is 4.88%. The 10-year Treasury bond has increased about 60 basis points since mid-February, which was the lowest interest rate of the year.

Steve Pillar said the Treasury market has been weak today. This follows a rough week of where the Federal Open Market Committee raised interest rates again. At the same time, they added the hint of inflation in the market, which set the ball rolling for rates to move yields higher and prices lower. Greenspan basically put the seed in the market that there is inflation in the economy and that maybe the rate will be adjusted 50 basis points at the next meeting. This is a big week economically. Tomorrow is only factory orders and ABC consumer confidence, which doesn't look like it will affect the market at this time. Steve went over the results of the retail order period. Montana Highway is working on $130 million of non-AMT bonds, which will compete with our bond sale. The overall

market is quiet today. Steve said the Moody's upgrade should help establish more retail business. Fannie Mae has been a big housing buyer in the market place, but will be on the sideline for this sale. Freddie Mac has shown some interest. Tomorrow, they will be starting the sale very aggressively; with the scale the same as it was started today. Steve read the proposed scale to the Board.

Peter Nolden said that a break-even mortgage rate would be 5.85% to 5.90% for no points. Montana Board of Housing (MBOH) has set the current rate at 5.75% that will be effective Tuesday morning. Bob Morgan said there is $15 million reserved in the Bridge Program. Local conventional rates are at 5⅞% at one bank and 6% at another. Peter said they have been receiving phone calls from institutional investors all day. Mina Choo explained the break-even rate. She said the mortgage rate has been subsidized with the wealth of the open indenture, which has been built into the cash flows shown to Standard & Poor's and Moody's. Peter said they believe the mortgage market has not caught up to the Treasury market, therefore, he expects conventional mortgage rates to inch up in the short run. He said they are prepared to take bids on the investment proceeds at 11 am New York time to only those investors who fit MBOH's investment policy.

Peter said he would call Bruce with the results of the sale. There will be a conference call on Wednesday at 9 p.m. to confirm the details of the sale and award the bonds.

There being no further business, the meeting adjourned at 2:30 p.m.

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Bob Thomas, Chairman

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Date

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Bruce Brensdal

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Date